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## Paul Ryan's budget: The good, the bad and the unrealistic

By [Editorial Board](#), Published: March 12

HOUSE BUDGET Committee Chairman [Paul Ryan's 10-year blueprint for federal taxes and spending](#) is at least as much about politics as about policy. By [promising to balance the federal budget by 2023](#) without raising taxes, the Wisconsin Republican seeks both to mollify members of the House Republican majority who are still steamed at the \$600 billion 10-year tax hike included in the “fiscal cliff” deal three months ago and to provide them with strong talking points for [voters back home](#).

As such, the 91-page document is a never-going-to-become-law mélange of [good ideas, bad ideas and ideas too unrealistic](#) to worry about. Let's start with the good ones, since that's the shortest list. Though there's no economic reason to fetishize a balanced budget by a particular date, we do agree with Mr. Ryan's aggressive sense that Washington needs to get the [national debt as a share of gross domestic product](#) on a downward path. On a more granular issue, Mr. Ryan endorses “[fair value](#)” accounting for student loans and housing credit programs, a long-overdue reform that would more accurately reflect taxpayer risk.

Alas, at the broadest level, Mr. Ryan's budget incorporates a grand misconception, which is that the federal deficit can be set on a path to zero without additional revenue (beyond the recently accepted \$600 billion, which he wisely chose not to relitigate). Indeed, Mr. Ryan indulges the fantasy of an income tax code with only two marginal rates, 10 percent and 25 percent, but doesn't specify the deductions and loopholes that would have to be eliminated to get there. Rather, he calls for a reduction of \$4.6 trillion in planned spending over 10 years, disproportionately from programs for low-income beneficiaries, such as nutrition assistance and Medicaid, the latter of which would be block-granted and turned over to the states at a claimed 10-year savings of \$756 billion.

This brings us to the ideas that are too unrealistic to worry about: chiefly, Mr. Ryan's proposal to save \$1.8 trillion by repealing Obamacare's Medicaid expansion and insurance exchanges. Combined with \$700 billion in anticipated net interest savings, the Obamacare repeal accounts for more than half of the deficit reduction in Mr. Ryan's budget — which pretty much closes the book on it as a serious guide to future policy.

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Once again, Mr. Ryan proposes to convert Medicare into a premium-support program, under which seniors would receive a subsidy to shop for insurance on a regulated but competitive market. Unlike some reflexive critics of “vouchers,” we think the concept is worth discussing, in that it promises to achieve cost-control through market mechanisms. Alas, even if premium support is workable, Mr. Ryan wouldn’t start it for a decade, which makes it all the more disappointing that his budget only calls for a modest \$129 billion trim to Medicare in the meantime. That’s less than the Obama administration has advocated.

There’s nothing concrete about Social Security in Mr. Ryan’s plan — not even an allusion to the more accurate inflation-adjustment mechanism known as “[chained CPI](#)” that could raise \$225 billion over 10 years, from Social Security and other benefits as well as higher tax revenue.

Maybe that omission is good news, of a sort. It leaves chained CPI, along with greater Medicare savings, to eventual negotiations between Republicans and President Obama over a budgetary “grand bargain.” That long-sought result, however improbable, is more likely than the enactment of Mr. Ryan’s plan.

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